

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

---

**Date:** May 28, 2008 (As amended May 14, 2008 by the Senate Medical Affairs Committee)

**Bill Number:** H.B. 3880

**Authors:** W.D. Smith; Hagood; Mitchell, and McLeod

**Committee Requesting Impact:** Senate

---

### Bill Summary

A bill to amend Article 7, Chapter 56, Title 44, of the Code of Laws of South Carolina, 1976, relating to the Brownfields/Voluntary Cleanup Program, so as to revise the liability protection provided to parties who are not responsible for environmental contamination of property and who subsequently become responsible for the property; to further specify the scope of a covenant not to sue provided to parties who are responsible for environmental contamination of property; to specify that property on to which a release of petroleum products occurred is property eligible for participation in this voluntary cleanup program; to further specify the contents of a voluntary cleanup contract and grounds for termination of the contract; to require the Department of Health and Environmental Control to report to the General Assembly on the activities of this program; and to conform provisions in this article to the revisions made pursuant to this act.

### REVENUE IMPACT <sup>1/</sup>

This bill, as amended, would reduce General Fund income tax revenue by an estimated \$50,000 in FY2008-09.

### Explanation of Amendment (May 14, 2008) – Senate Medical Affairs Committee

This bill would amend the Brownfields/Voluntary Cleanup Program to enable the expansion, redevelopment or return to use of industrial and commercial sites whose redevelopment is complicated by environmental contamination. The following section of the bill is expected to affect General Fund revenue collections.

**Section 2.** This section would extend the Brownfields tax credit to limited liability corporations. Currently, Section 12-6-3550 provides a nonrefundable corporate income tax credit for costs of voluntary cleanup activity by a nonresponsible party under the Brownfields Voluntary Cleanup Program. The credit is limited to fifty percent of expenses paid or accrued or contributions made for cleanup of a single site during a taxable year. The taxpayer may use no more that \$50,000 of the credit in any taxable year. Any unused credit up to \$100,000 may be carried forward five years. Multiple taxpayers working jointly to clean up a single site are allowed the credit in the same proportion as their contribution of payment of cleanup costs. To be eligible for the credit, the taxpayer must enter into a nonresponsible party voluntary cleanup contract with the Department of Health and Environmental Control (DHEC) under Section 44-56-750. The taxpayer must file an application for certification with DHEC by December 31<sup>st</sup> of each year. If DHEC approves the application for certification, it will issue a tax credit certificate before April 1<sup>st</sup>. For the taxable year for which DHEC issues a certificate, the taxpayer is allowed an additional credit amount of ten percent of the total cleanup costs, not to exceed \$50,000. The credit covers eligible cleanup expenses after 2001, but only if DHEC issues a certificate of completion after May 28, 2002. According to representatives with DHEC, Brownfields Voluntary Cleanup Program and the Department of Revenue, the Brownfields tax credit has not been used by a single corporate entity to date. This amendment would strike the phrase “under Section 12-6-530” and allow the tax credit to be used by any taxable entity filing income taxes pursuant to Chapter 6. We expect a limited liability corporation to apply for and receive a nonrefundable income tax credit. This amendment would therefore reduce General Fund income tax revenue by an estimated \$50,000 in FY2008-09.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Martin

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.